

WAIS Inc

Wide Area Information Servers

February 13, 1995

Dear Members of the Board,

We have geared up in attracting outside capital. Three approaches are being pursued: VC investment, corporate investment, and acquisition. On the VC front, we talked with AVI and they are pursuing due diligence which is a good sign. We are trying to set up a joint meeting with Jon ~~Fibre~~ ^{Ferber} of Mohr David Ventures and Accel Partners. On the corporate investment front, we have starts of interesting discussions, but nothing solid yet. On the acquisition front, AOL is interested, but it is uncertain how committed they are.

We are due to move mid-March to our new facility in San Francisco. The gating item is building up our computer facilities there.

The number of full time employees is 23, and full time contractors is 4. This is up from 21/5 from January 9, 1995. We are actively recruiting for technical talent and a VP of Engineering. In a month we should be at 31/3.

We are getting more deals publishers for production services. This is a shift in our business and changes our cash flow picture. It puts more money in bookings rather than revenues and increases our headcount from what would be expected from a software products business. We have found a real need in the market for our services in both a "contract design" mode and revenue sharing mode. This shift will have some impact on our 3rd quarter numbers.

At this meeting I would like to discuss our financing strategy.

Thank you for coming.

Sincerely yours,



Brewster Kahle

February 9, 1995

**VIA TELECOPIER AND
OVERNIGHT DELIVERY**

Mr. Miles Gilburne
Senior Vice President,
Business Development
America Online, Inc.
8619 Westwood Center Drive
Vienna, Virginia 22182

Dear Miles:

Brewster and I have discussed your proposal to Brewster yesterday at lunch. We are unsure of the precise contours of the proposal with respect to stock options. Nonetheless, in order to rapidly conclude discussions with respect to an acquisition proposal, we have included a counter-proposal below, assuming a structure for the stock option portion of your proposal.

1. **Price.**

a. **Stock.** America Online, Inc. ("AOL") would issue \$13,000,000 of its common stock, valued per share at the closing price last Friday, when we met you at WAIS.

b. **Options.** AOL would grant stock options to WAIS employees with an aggregate exercise price of \$8,000,000 (but see below re our uncertainty about your proposal). Options with an aggregate exercise price of \$3,500,000 would be granted to Brewster Kahle, and the balance to be granted to other WAIS employees as recommended by Brewster (with input from AOL). Brewster and I were unclear about the nature of the \$6,000,000 proposal you made to Brewster at lunch. We assume that you proposed options with an aggregate exercise price equal to \$6,000,000, with a per share exercise price equal to the fair market value of a share on a recent particular date. We also assumed you meant incentive stock options. Based on those assumptions, Brewster feels that \$6,000,000 is likely insufficient to hold the key members of the WAIS team together (if you include employees WAIS plans to hire in the period prior to closing a transaction) for the period necessary to achieve the promise of WAIS. If the \$6,000,000 is intended to go to current employees, then it is acceptable to WAIS, if, as well, \$2,000,000 of options is available for grant to employees hired between the date of execution of a letter of intent and the closing of an acquisition. If your proposal was different (e.g., some form of discount options), please clarify. A difference such as that could conceivably alter our thinking.

2. **Advance.** AOL would advance \$1,000,000 (the "Advance") to WAIS upon execution of a letter of intent in consideration of, among other things, WAIS terminating ongoing discussions with other sources of financing. If an acquisition were concluded, the Advance would convert into WAIS working capital. If an acquisition were not concluded within 120 days of the date of execution of the letter of intent, the Advance would convert into an unsecured promissory note due in two years with interest at a reasonable commercial rate, also due in two years.

Mr. Miles Gilburne
Monday, February 13, 1995
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3. **Timing.** As you know, a WAIS board meeting will be held at approximately 11:00 a.m., west coast time, on Monday, February 13, 1995. The board would appreciate hearing a definitive response to the offer made in this letter before then, in order to discuss it at the meeting and conclude whether there is merit in AOL and WAIS continuing discussions.

As we discussed at last Friday's meeting, enclosed in the overnight courier package are two counterparts of a conflict waiver letter. Please sign both counterparts, keep one and return the other in the envelope provided for your convenience.

Very truly yours,

WILSON, SONSINI, GOODRICH & ROSATI

By: _____
Allen L. Morgan

ALM:lh
Enclosures

Give me double-digit equity and call
again the ~~damn~~ damn thing!

WAIS, INC.

BOARD MEETING AGENDA

February 13, 1995

12 noon – 4:00 p.m.

12 noon – 1:00 pm	Company Status
1:00 pm – 4:00 pm	Financing Strategy

ATTENDEES:

Brewster Kahle
Bruce C. Gilliat
William Dunn
Nick Scharf
Allen Morgan

WAIS *Inc*

Wide Area Information Servers

January 1995 Financial Results and Forecast

REVENUES

Revenues for January were \$110,000 Vs. planned revenues of \$199,000 and forecast of \$140,000. Planned revenues for Q3 and the year are \$761,000 and \$3,000,000.

We currently have a backlog which should be recognized in Q3 as we complete projects in progress in excess of \$300,000.

EXPENSES

January expenses were \$217,000 Vs planned expenses of \$212,000 and forecast of \$223,000.

CASH

Our cash balance at the end of the month was \$207,000, which was \$80,000 higher than plan. This reflected year to date revenues \$425,000 higher than plan.